

STATE RETIREMENT CONVERSION WINDOW

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: LaWanna Lou Shurtliff

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah State Retirement and Insurance Benefit Act by providing a conversion window between the Public Employees' Retirement System and the Public Employees' Noncontributory Retirement System.

Highlighted Provisions:

This bill:

- ▶ provides a conversion window between the Public Employees' Retirement System and the Public Employees' Noncontributory Retirement System.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill takes effect on July 1, 2006.

Utah Code Sections Affected:

AMENDS:

49-13-205, as last amended by Chapter 116, Laws of Utah 2005

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **49-13-205** is amended to read:

49-13-205. Conversion to system -- Time schedule -- Conversion windows.

(1) An employee governed under Section 49-13-201 shall make the election to



participate in this system within six months of July 1, 1986.

(2) (a) (i) An employer governed under Sections 49-13-201 and 49-13-202 shall make the election to participate in this system within six months of July 1, 1986.

(ii) The employer shall indicate whether or not it elects to participate by enacting a resolution or ordinance to that effect.

(iii) Prior to the enactment of the resolution or ordinance, a hearing shall be held by the employer, at which all employees of the political subdivision shall be given an opportunity to be heard on the question of participating in this system.

(iv) Notice of the hearing shall be mailed to all employees within 30 days of the hearing and shall contain the time, place, and purpose of the hearing.

(b) A regular full-time employee has six months from the date the employer elects to participate in this system in which to make the election to participate in this system and become eligible for service credit in this system.

(3) Subsections (1) and (2) shall be used to provide a second time period of conversion to this system beginning July 1, 1990.

(4) Subsections (1) and (2) shall be used to provide a third time period of conversion to this system beginning July 1, 1995.

(5) A member of the Contributory Retirement System who is employed by one agency and who either transfers to or is reemployed by another agency shall be enrolled in the Noncontributory Retirement System as of the date of employment, if the participating employer has elected to participate in the Noncontributory Retirement System.

(6) Subsections (1) and (2) shall be used to provide a fourth time period of conversion to this system beginning July 1, 2006.

Section 2. Effective date.

This bill takes effect on July 1, 2006.

Legislative Review Note

as of 1-23-06 9:52 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

State Impact

Passage of this bill will cause retirement contribution rates (as a percentage of salary) to rise 13 basis points (0.13%) for all current State employees covered under the Public Employees' Noncontributory Retirement System. The total cost to the State for this increase in rates is estimated at \$2.8 million. There will also be a 12 basis point increase in contribution rates for State employees who transfer from the Contributory System to the Noncontributory System. Total cost to the State for this increase will depend on the number of employees who opt to transfer and could be absorbed within existing budgetary levels.

The bill would also affect local governments, whose noncontributory retirement rates (as a percentage of salary) would increase by 34 basis points, funded from local revenues. There would be a 165 basis point decrease in contribution rates for those who opt to transfer from the Contributory System to the Noncontributory System.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>
General Fund	\$450,800	\$450,800	\$0	\$0
Uniform School Fund	\$1,886,400	\$1,886,400	\$0	\$0
Transportation Fund	\$63,500	\$63,500	\$0	\$0
Federal Funds	\$189,500	\$189,500	\$0	\$0
Dedicated Credits	\$103,900	\$103,900	\$0	\$0
Other	\$114,600	\$114,600	\$0	\$0
TOTAL	\$2,808,700	\$2,808,700	\$0	\$0

Individual and Business Impact

Individuals currently on the Contributory System may receive a higher retirement benefit if they transfer to the Noncontributory System.

Office of the Legislative Fiscal Analyst